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SUBJECT: SPENDING STRATEGICALLY IN PAKISTAN

Classified By: CDA Gerald M. Feierstein, for reasons 1.4 (b)(d)

11. (C) Summary. This cable conveys a shorter version of the strategy we laid out in the Mission Strategic Plan and how we will implement the President's strategic review. We welcome the additional resources but we are very mindful of the constraints: our own, the GoP's and the international donor community's. We are working with CENTCOM on a combined civil/military strategy for the tribal areas. And there are serious holes in the strategy, most notably Balochistan, which lies across the border from new American troops in Helmand and Kandahar. We are also adjusting our approach to how we target assistance, moving to a more geographic approach rather than a sectoral one. Separately, international donor coordination is extremely poor: the UN has been surprisingly passive in addressing humanitarian concerns and the IBRD and other banks have not played a traditional leadership role.

12. (C) The strategy consists of:

-- Accelerated training of the Frontier Corps and the various law enforcement elements in the FATA and Balochistan, as well as enhancing the COIN capabilities of the Pakistani military. This will use new authorities and funds provided by the PCCF, as well as current law enforcement authorities;

-- Redesign the payment of Coalition Support Funds to incentivize Pakistani action against militants;

-- Continuation and enhancement of USAID employment generation, capacity building and small community projects (OTI) in the FATA;

-- A USD 100 million police development program, some parts of which will be modeled on the successful Afghan National Civil Order Police (ANCOP) program, starting with the NWFP police. This is a high priority for the Pakistani government and will include building up police capacity to return to Swat;

-- Geographically focusing the billion dollars in additional economic assistance, initially in 25 districts throughout Pakistan which are at highest risk for extremism, with a particular emphasis on agriculture and employment generation. This will also address the traditional incubators of Deobandi/Wahhabi extremism in the southern Punjab;

-- A meaningful strategic communications plan. We need to turn around the tacit support for the Taliban and anti-Americanism in Pakistani society;

-- A significant, but currently underdeveloped, part of the strategy must be a sharply enhanced role for the United Nations, the World Bank, the Asian Development Bank, and the other donors, several of whom, like the Japanese, will put significant amounts of money into Pakistan. This needs to be addressed as a top international priority with allies, but the UN and other agencies need to have the infrastructure here, on the ground, to carry it out. End Summary.

KEY FOCUS AREAS

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13. (C) Mission Pakistan welcomes the prospect of significant increases in economic and military assistance from the Congress. This cable outlines the Mission's plans to spend new resources, and to reprogram existing funds, in support of our strategic objective: to disrupt, dismantle and defeat al-Qaida and its extremist allies and prevent their return to safehavens in Pakistan.

14. (C) We will continue short-term unilateral intelligence activities and bilateral cooperation to disrupt al-Qaida and its allies, but the longer-term answer is building Pakistani counter-insurgency (COIN) capability to fight extremism and addressing underlying conditions that breed extremism and militancy. This requires strengthening Pakistani military, law enforcement, governance, economic development, and strategic communications capacity. Keeping in mind the President's commitment to end the "blank check" for Pakistan, our goal is to introduce new conditionality and leverage equipment and assistance to build COIN capabilities and

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reduce poverty and poor governance that help breed extremism.

15. (SBU) We will propose a revision of the USD 1.2 billion Coalition Support Fund program to reward measurable combat operations instead of mere troop sustainment and presence. Congressional approval is pending for efforts to restructure DOD assistance into a Pakistan Counterinsurgency Capabilities Fund (PCCF) that will allow the USG to determine the type and amount of COIN equipment Pakistan procures, condition that procurement on training/performance, and allow us to shift funds to reward success and exploit opportunities. PCCF will complement USD 300 million in longer-term FMF COIN programs for the regular armed forces and the Frontier Corps and augment USD 40 million in State/INL assistance already provided to the Frontier Corps.

16. (C) To build the "hold" element of COIN, we are initiating a USD 100 million program focused first on a robust train and equip program for the police in NWFP and related training for local forces with jurisdiction in the Federally Administered Tribal Areas (FATA). We will shift the current emphasis from individual to unit training and supplement this with continued ATA and ICITAP programs. In addition, we will continue to support civil/military cooperation to assure that "hold" operations are successfully transitioned into "build" opportunities.

17. (SBU) We will shift our management of foreign assistance funds to a geographic approach, rather than the current sectoral approach. There are five major geographic areas in which the nexus of poverty and despair and the presence of radical and militant elements are breeding extremism -- FATA/NWFP, southern Punjab, northern Sindh, Karachi, and Baluchistan. We will focus initially on 25 districts in these areas, where we will create synergies among governance and development projects to provide jobs, improve delivery of local services like education and healthcare, increase the efficiency of the energy and agricultural sectors, and combat corruption. In the FATA, we will continue small-scale development, education, health and livelihood programs and build the capacity of the FATA Secretariat to implement them.

¶8. (SBU) Although our main focus will be on the geographic areas, there are several programs that must proceed on the national level, in order to support and sustain progress at the local level. We will continue to strengthen Pakistan's parliamentary democracy, help build national policies that improve energy efficiency and management of water resources, assist the Government of Pakistan with strategic communications, and continue humanitarian programs in support of internally displaced persons (IDPs) affected by combat operations. On a macro-economic level, to help address budget support needs as estimated by the IMF, we will pledge USD 400 million (as part of a USD 1 billion commitment) at the Tokyo Donors' Conference. We will ensure this support's consistency with the IMF/World Bank/Asian Development Bank economic policy framework by conditioning its disbursement on the GOP's taking measurable steps to expand democratic political institutions and government transparency and accountability; promote education and health services; and reform policies that are holding back, in particular, the energy and agriculture sectors, such as reform of the tax code. We will also press the GOP to make continued progress fulfilling its IMF commitments, to improve the investment climate, and to advance stalled efforts to improve the protection of intellectual property rights. International donor coordination has been extremely weak; we must work to ensure that the newly-proposed World Bank Trust Fund and Friends of a Democratic Pakistan initiatives will improve coordination of longer-term assistance programs.

¶9. (SBU) We cannot deliver and adequately monitor significant new assistance funding without expanding resources for good program management -- staff, vehicles, and office space. Given the significant worsening of security conditions, we will need additional security support, especially in Peshawar, Karachi and Quetta, to implement and oversee projects. We will also consider developing small PRT-like teams to help focus our programs at the district level.

Ground Realities

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¶10. (SBU) The security situation is deteriorating rapidly; the GOP has lost control over much of FATA and, most recently, of Swat in the NWFP. Extremism is spreading beyond the border to areas (southern Punjab, northern Sindh, Pashtun neighborhoods of Karachi, and Balochistan) where poverty, unemployment, and lack of education provide a breeding ground for terrorists who are fighting U.S./NATO troops in Afghanistan and challenging the GOP. The USG troop surge in Afghanistan this spring will open up a new front along the Balochistan border, an area where Pakistani troops are thinly deployed and already engaged in combating an ethnic nationalist insurgency and where the GOP and the international donor community have delivered few benefits to one of Pakistan's most underdeveloped regions.

¶11. (C) Although Pakistan's needs are extensive, local capacity to absorb assistance is limited. Democratic institutions are weak; the current civilian government remains distracted by domestic political disputes. While President Zardari and PM Gilani appear determined to fight extremism, they have yet to craft or implement an effective COIN strategy. Equally, the GOP lacks a strategic communications program to convince its public of the critical nature of this battle. The economy is stabilizing under an IMF Standby Program, but financial constraints continue to limit the GOP's ability to fund development programs in support of COIN, and another spike in world energy or food prices could easily derail the progress to date. The military remains the ultimate domestic power broker, but it will take 5-10 years to modernize 1940's era Army/Frontier Corps forces for effective counterinsurgency operations.

¶12. (C) International donor coordination has been extremely weak. We are encouraged the UN has appointed an advisor to the Friends of a Democratic Pakistan initiative and welcome the potential of a newly-proposed Border Trust Fund to improve donor coordination. But UN leadership, especially on humanitarian relief efforts, is desperately needed and we are not convinced there is a clear UN commitment to assign a much-needed high level coordinator for humanitarian assistance to Pakistan.

Military Aid: Creating War-Fighting Flexibility

¶13. (C) In the short term, we are using unilateral intelligence activities and bilateral cooperation to disrupt the activities of al-Qaida and its allies. The longer-term answer to eliminating terrorist safehavens in Pakistan is to build indigenous COIN capacity. The tribal Frontier Corps (FC) is the best potential COIN force Pakistan has for its western border, but it cannot be effective without Pakistani military support, so we need to balance our military aid programs among these forces. We are challenged in helping the Pakistanis because we do not "own" the combat space in country; the Pakistani military prefers equipment to training and remains wary of too large a USG military footprint; and both regular and FC forces lack COIN doctrine, equipment and training. Our strategy is to exploit the success of ongoing FC training and new intelligence cooperation to expand COIN capabilities within Pakistan and expand cooperation among U.S., NATO and Pakistani forces to reduce cross-border attacks on coalition forces in Afghanistan.

¶14. (C) The largest single source of USG support for COIN is the USD 1.2 billion annual Coalition Support Funds (CSF) program created after 9/11 to reimburse Pakistan for expenses in support of USG objectives in the war on terror. After careful vetting of Pakistani claims, funds are distributed into the GOP's treasury account; to date, we estimate that less than 60% of these funds are transferred to reimburse the Pakistani military. We are proposing to restructure the CSF Pakistan program to reimburse the GOP for measurable combat operations instead of troop sustainment activities and presence costs (septel). This should improve CSF accountability and provide Pakistanis with incentives to fight.

¶15. (C) The traditional military aid mixture of FMF assistance plus support from multiple pots (1206, 1207, CN, etc) of DOD funding is no longer adequate to meet the urgent

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war-fighting needs in Pakistan. We are asking for USD 400 million in FY09 and USD 700 million in FY10 funds through a new Pakistan Counterinsurgency Capabilities Fund (PCCF) proposal that will provide flexibility to respond to changing combat conditions. PCCF will allow the USG to determine the type and amount of equipment Pakistan procures, will condition that procurement on training/performance, and will allow us to shift funds to reward success and exploit opportunities.

¶16. (C) PCCF will fund short-term, quick-impact COIN needs, including training for the Frontier Corps in NWFP and Balochistan and for Army Special Forces, upgrading and maintenance of existing combat helicopters, targeting pods and training to build Close Air Support and night capabilities, individual soldier equipment (protective vests, night vision goggles, communications gear) and vehicles for the Frontier Corps, construction of two new Border Coordination Centers, aerial platforms to deliver coordinated intelligence in support of ground combat operations, and humanitarian aid (now provided by the Combatant Commanders Initiative Fund) distributed as we train Pakistani military forces to conduct civilian-military operations. The aid is distributed to civilians who suffered collateral damage from combat operations. Training for the Balochistan Frontier

Corps will be done in cooperation with the UK.

¶17. (C) Complementing PCCF will be USD 300 million in FY09 and FY10 FMF programs in support of longer-term COIN needs. Because host country requests drive the FMF process, we are re-shaping GOP requests to support COIN. The top priority will be long lead time procurement of such items as new combat helicopters, followed by armored personnel carrier refurbishment to improve IED survivability, P-3 surveillance aircraft and frigates to expand coastal interdiction programs, and mid-life upgrades for F-16s in support of ongoing combat operations in FATA. Since 2001, State-INL has provided over USD 40 million for Frontier Corps equipment and border post construction.

Law Enforcement: The "Hold" Component
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¶18. (SBU) Law enforcement capability across Pakistan is weak, and the most urgent need is to stem the tide of extremist expansion into the settled areas. Demoralized law enforcement personnel -- underpaid, under-trained, under-equipped -- are no match for the superior forces supporting the extremists. To build capacity, we will focus first on the newly-created Elite Force of the NWFP Police. With USD 65 million in FY09 and USD 155 million in FY10 funds, we are initiating an expanded train-the-trainer program to build a heavy police force capable of engaging and defeating well-armed militant groups and criminals. We also plan infrastructure improvements to expand the number and harden police stations and checkpoints throughout FATA and NWFP. To build organizational capacity, we will shift the current program of individual ATA and ICITAP police training to unit training, concentrating on small unit tactics and command and control. In the FATA, where there are no traditional police forces, we will use USD 6 million in FY09 and USD 13 million in FY10 INL monies to continue training and equipping tribal Levies that are being tasked with maintaining security once the Frontier Corps has cleared the territory. COIN success depends on close coordination between civilian government and security forces. The Embassy will continue to support civil/military cooperation among Pakistani security forces and civilian administrations in the FATA and NWFP, and expand efforts into other areas of kinetic operation to make sure that "hold" operations are successful and lead to "build" opportunities.

¶19. (SBU) With USD 8 million in FY09 and USD 37 million in FY10 funds, USAID will support improvements to the administration of justice to reduce backlogs in court dockets and to train judges. The first focus will be on courts in NWFP and southern Punjab, where the desire for swift justice is fueling popular demand for Shari'a law.

¶20. (SBU) There also is ample scope for other donor efforts to supplement police salaries, provide life insurance/death benefits for the police and build forensic/investigatory capability at the local and provincial level across Pakistan.

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Governance: Targeting Aid
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¶21. (SBU) We plan to spend USD 887 million in FY09 and USD 1.1 billion in FY10 on USAID programs. We are revising our development strategy to narrow its geographic focus and concentrate on areas of most urgent concern, especially those in which a combination of poverty, unemployment, lack of education and the presence of extremist elements makes the population especially susceptible to exploitation. We will concentrate on stabilizing vulnerable districts through quick impact activities to meet basic needs of the population, programs to generate jobs, providing vocational job training and expanding agricultural and industrial production.

¶22. (SBU) There are five main geographic areas in which we will be focusing: FATA/NWFP, southern Punjab, northern Sindh, Karachi, and Balochistan. We have identified 25 districts across those areas where poverty, unemployment, isolation, weak governance, and limited prospects provide fertile recruiting ground for extremist groups. The criteria for choosing the districts include political factors (the presence of terrorist training camps and/or extremist madrassahs; recruitment activities; proximity to Taliban strongholds; incidents of Talibanization; services being provided by "charitable" groups associated with extremists; and ineffective Pakistani government institutions) and economic indicators (lack of government services like clean water and education; percentage of people living below the poverty line; access to markets, and unemployment).

¶23. (SBU) The 25 districts that will be our initial areas of focus include eleven in NWFP (Peshawar, Swat, Tank, Hangu, Bannu, Buner, Upper Dir, Lower Dir, Charsadda, Kohat, Lakki Marwat, and D.I. Khan); five in Punjab (DG Khan, Bahawalpur, Rajanpur, Khanewal, and Multan); six in Sindh (Thatta, Shikar Pur, Larkana, Sukkur, Ghotki, and Jacobabad); two in Baluchistan (Quetta and Qila Abdullah); and Karachi.

¶24. (SBU) Our strategy is to build synergy among programs in a concentrated area: governance programs (USD 8 million in FY09 and USD 46 million in FY10) will improve local delivery of services; education programs (USD 143 million in FY09 and USD 352 million in FY10) will build/renovate schools, focusing on primary and secondary schools; health programs (USD 75 million in FY09 and USD 171 million in FY10) will focus on reducing maternal and infant death rates; and vocational training and jobs creation programs will provide young men and women an attractive alternative to what is being offered by the militants. At a minimum, we will move more of the management of these programs to our consulates in Peshawar, Lahore and Karachi to improve the effective implementation of the programs. In addition, we propose to establish small PRT-like missions in each affected district capital to establish close working relationships with the district governments and track on a real-time basis the progress of the programs.

PROGRAMS AT THE NATIONAL LEVEL

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¶25. (SBU) A limited number of programs need to go forward at the national level in order to support and sustain more localized efforts. We will continue to strengthen the parliament, with the goal of increasing civilian control of the military and improving government accountability to all of Pakistan's citizens. By supporting national teacher training, we will create teachers for our targeted districts.

We will continue to provide limited higher education scholarships, especially for FATA students, which will give disadvantaged young people exposure to other parts of Pakistan and elsewhere. We will work to address the country's chronic energy shortages by improving the efficiency of existing power grids, which will in turn help reduce load shedding that is undermining industrial production, especially in textiles, and limiting agriculture production that depends on power-driven irrigation. Expanding rural electrification will improve GOP credibility with a portion of the population that otherwise receives little in the way of government services. Last, we will continue our effective polio eradication campaign.

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¶26. (SBU) As part of a Presidential commitment following the earthquake of 2005 (\$50 million per year for four years, beginning in 2006), we will spend USD 51 million in FY09 for earthquake reconstruction in the northern areas. This program should phase out at the end of the commitment period. We will also provide an estimated USD 8 million in FY09 and USD 15 million in FY10 to assist internally displaced persons

(IDPs) fleeing military operations or victims of what are annual flood and earthquake disasters in country. In addition, through DOD, PRM, OFDA and ERMA, we will provide an estimated USD 80 million in FY09 to assist IDPs whose homes and livelihoods have been destroyed by fighting in FATA and NWFP.

¶27. (SBU) To help fill budget support needs as estimated by the IMF, we will pledge USD 400 million in FY '09 at the Tokyo Donors' Conference as one element of our overall two-year, USD 1 billion commitment. We will ensure this support's consistency with the IMF-World Bank macro-economic policy framework by conditioning its disbursement on the GOP's taking measurable steps to expand democratic political institutions and government accountability, promote education and health services, and reform policies that are holding back the energy and agriculture sectors. Without continued adherence to Pakistan's IMF commitments, in particular elimination of unsustainable subsidies and limited borrowing from the Central Bank, budget support will not have the desired effect. Improving revenue collection (in part by revision of the tax code) and the social safety net, and genuine GOP steps to begin tackling endemic corruption will be other important measures.

Economic Development: Creating Jobs and Opportunity

¶28. (SBU) On a policy level, we will continue to encourage GOP action to tackle the difficult structural reform decisions that will lead to long-term economic growth and stability that complements our security efforts. A more equitable and efficient tax code will enhance and stabilize GOP revenue streams, as will dismantling outdated and inefficient state-controlled pricing and distribution regimes - particularly in energy and agriculture. Ensuring that intellectual property and patent rights are protected and addressing the decrepit electricity transmission and distribution system (that fails to deliver even the electricity that Pakistan currently produces) will help bolster the confidence business needs to expand production and grow the economy. Addressing endemic corruption and nepotism will boost public confidence in Pakistan's leadership. Because all these structural issues require time to show results, it is essential to begin addressing them now.

Strategic Communications: Effective Messaging

¶29. (C) Our goal is to assist the GOP in developing and implementing its own strategic communications plan. This requires overcoming GOP wariness about being seen as working too closely with the U.S., closing a "trust deficit" built on past USG withdrawals from the region, countering public perceptions that the USG presence in Afghanistan is the source of militancy in Pakistan, and convincing the Pakistani public that they need to make winning an existential battle against extremism a matter of national urgency. The Government of Pakistan will not be able to take on a strong counter-insurgency campaign in the absence of a unified population supporting the effort.

¶30. (C) Our strategy is to leverage indigenous voices that are acceptable to our Pakistani target audiences to build support for governmental leaders--especially police and security forces, expand the writ of the government in FATA, and reduce anti-Americanism. Working with the DOD Military Information Support Team (MIST) and USAID, we are using local public relations firms to establish quick-reaction mechanisms to deliver COIN-focused messages after suicide bombings and will better publicize USG assistance outside the FATA. Within the FATA, USAID has created a Media Cell to publicize how the GOP is delivering (USG funded) services to the population. This includes publicity for CCIF-funded humanitarian assistance (see para xx) we are helping the

Frontier Corps deliver to IDPs and those who have suffered from fighting in the tribal regions. We are refocusing traditional International Visitor Programs on COIN-related objectives including law enforcement, counter-terrorism, energy management, health and food safety, and girls' education.

¶31. (C) The MIST is creating a Frontier Corps Media Cell that will counter militant propaganda, coordinate anti-extremist messaging, manage FC public affairs in the area, and eventually manage radio stations supporting GOP counter-extremist messaging. MIST products include a Tribal Voices Pashtun radio program, a national Urdu soap opera, a comic book series aimed at youth, and a "Heroes of the Frontier Corps" campaign.

¶32. (C) However, this initiative has been severely under-funded. To date, we have received from DOD approximately \$7.3 million in support of a \$120 million plan drafted by the Mission and coordinated with the NCTC in 2008. An additional \$1 million has been set aside by State/R for programming associated with a media campaign in support of the strategic communications plan and USAID has made \$50 million available in FY10 to build the government's capacity to communicate effectively with the public. We continue working with them to spend the funding appropriately. This has not been and will not be enough.

USG Implementation: Staffing/Support Needs

¶33. (SBU) Effective program management in a critical threat environment is a major challenge, but with proper resources it can be done. We recommend that the Kerry-Lugar legislation include authority to spend up to ten percent in new funding for program management. Implementing this ambitious new assistance program will require increased personnel (both U.S. and LES program officers and administrative support officers), housing, office space, armored vehicles, driver/bodyguard training, and perhaps helicopters to effectively monitor programs in dangerous areas. With a geographic focus to our AID programs, we will need to deploy more staff in the consulates in Peshawar, Lahore, and Karachi to more closely administer our programs in those areas.

¶34. (SUB) The Mission's DOD and USAID offices alone are projected to double in size over the next year. To support this expanded profile, SCA and Mission Pakistan are currently in the process of filling 31 Supplemental, mid-level Foreign Service positions. SCA and Mission Pakistan are also creating and filling 136 LES ICASS positions to support the rapid and continued growth of program staff. In FY 2011, Post requests Department support for additional general services, facilities, financial management and medical staff to ensure that we can support what will be one of the largest U.S. Embassies in the world. Accordingly, Post has asked for the following increases in the 2011 MSP: for U.S. Direct Hire positions - 9 Program, 9 ICASS, 1 Public Diplomacy, and a total of 13 fee-funded positions (2 OBO, 8 Consular and 3 RSO); and a total of 49 LES - 12 Program and 37 ICASS positions.
FEIERSTEIN